

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
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DEPARTMENT TREASURY
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USMISSION EC BRUSSELS
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AMEMBASSY ROME
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DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FRG ECONOMIC EXPANSION--POINT COUNTERPOINT

1. U.S. URGINGS FOR INCREASED STIMULATION OF THE GERMAN
ECONOMY AND REDUCED GERMAN TRADE AND CURRENT ACCOUNT
SURPLUSES CONTINUE TO BE REPORTED EXTENSIVELY IN THE
GERMAN FINANCIAL PRESS. EQUALLY WELL REPORTED IN RECENT
DAYS HAVE BEEN GERMAN REBUTTALS.

2. TODAY'S REPORTING FOCUSED ON TREASURY SECRETARY
BLUMENTHAL'S CALL FOR CONCERTED ACTION AMONG STRONGER
ECONOMIES TO IMPLEMENT MORE EXPANSIVE STIMULATIVE
MEASURES. SECRETARY BLUMENTHAL'S REMARKS GIVEN IN THE
HANDELSBLATT NEWSPAPER WITHOUT EDITORIAL COMMENT, ALSO
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QUOTE HIM AS UNDERSTANDING, HOWEVER, THE PROBLEMS OF
THE GERMAN CHANCELLOR WHO IS HINDERED BY THE CONSERVA-
TIVE ATTITUDE OF THE GERMAN CENTRAL BANK AND BY OTHER
POLITICAL PRESSURES. THESE REMARKS ARE REINFORCED BY
STATEMENTS FROM UNDERSECRETARY COOPER AND ASSISTANT
SECRETARY BERGSTEN IN WHICH THEY EMPHASIZE THAT ALTHOUGH
UNPLEASANT IT IS THE RESPONSIBILITY OF STRONGER ECONOMIES

TO INCUR CURRENT ACCOUNT DEFICITS IN THE PRESENT SITUATION. ALSO REPORTED WAS CONGRESSMAN REUSS' STATEMENT BEFORE THE JOINT ECONOMIC COMMITTEE IN WHICH HE REPORTEDLY CHIDED THE SOCIALIST GERMAN GOVERNMENT FOR ITS OVERLY CONSERVATIVE ATTITUDE WHILE "CAPITALISTIC" JAPAN AND THE U.S. TAKE THE INITIATIVE. DIE WELT NEWSPAPER, IN WHICH THIS ARTICLE APPEARED, CITES THIS AS AN EXAMPLE OF THE WORSENING ECONOMIC RELATIONSHIP BETWEEN THE U.S. AND THE FRG.

3. THE GERMAN SIDE HAS, HOWEVER, NOT BEEN IDLE. IN A RECENT STATEMENT BY THE PRESIDENT OF THE GERMAN CHAMBER OF COMMERCE, VON AMERONGEN, THE U.S. PROGRAM IS ATTACKED. THE PROGRAM IS PARTICULARLY DISADVANTAGEOUS, HE STATES, BECAUSE IT CONCENTRATES ON JOB CREATION AND CONSUMPTION, NOT INVESTMENT. HE STATES, THE FRG WITH ITS TRADITION OF PRICE STABILITY, MUST BE CONCERNED WITH THE INFLATIONARY POSSIBILITIES.

4. ECONOMICS MINISTER FRIDERICH HAS ALSO TAKEN EXCEPTION TO U.S. CALLS FOR EXPANSION. IN HIS OPINION, THE CURRENT FRG PUBLIC INVESTMENT PROGRAM CONPLIED WITH ANNOUNCED TAX RELIEF MEASURES WOULD PROVIDE SUFFICIENT STIMULUS.

5. SPD ECONOMIC "EXPERT" PETER REUSCHAUBACH (DEPUTY CHAIRMAN OF THE BUNDESTAG'S ECONOMIC COMMITTEE) TODAY WARNED AGAINST ANY STRONG INCREASE IN GERMAN IMPORTS. HE STATES THAT GERMANY CANNOT CARRY THE BALL ALONE AND UNCLASSIFIED

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PREDICTS IRREPARABLE HARM TO THE GERMAN ECONOMY SHOULD LAST YEAR'S 20 PERCENT INCREASE IN REAL IMPORT GROWTH BE REPEATED IN 1977. RATHER, HE SAYS, IT SHOULD BE THE RESPONSIBILITY OF THE U.S. AND JAPAN WHOSE IMPORT GROWTH STAGNATED IN 1976, TO INCREASE IMPORTS.
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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